

SUMMARY OF PROPOSED COMMITTEE DRAFT

BILL 77 (2015)

RELATING TO REAL PROPERTY TAX EXEMPTIONS FOR HOMES

The proposed CD1 amends Bill 77 (2015) as follows:

- A. Conforms the bill with language established in Ordinance 15-51 and changes subsections (G) and (H) to subsections (H) and (I) since Ordinance 15-51 added a new subsection (G).
- B. Changes subsection (I) to allow the application of the home exemption to certain homes damaged or destroyed as a result of a fire.
- C. Makes miscellaneous technical and non-substantive changes.



PROPOSED

A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAX EXEMPTIONS FOR HOMES.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to amend certain real property tax exemptions for homes.

SECTION 2. Section 8-10.4, Revised Ordinances of Honolulu 1990 ("Homes"), as amended, is amended by amending subsection (a) to read as follows:

"(a) Real property owned and occupied as the owner's principal home as of the date of assessment by an individual or individuals, is exempt only to the following extent from property taxes:

- (1) Totally exempt where the value of a property is not in excess of \$80,000;
- (2) Where the value of the property is in excess of \$80,000, the exemption is the amount of \$80,000[.] provided that:

[Provided:]

- (A) [That no] No such exemption will be allowed to any corporation, copartnership or company;
- (B) [That the] The exemption will not be allowed on more than one home for any one taxpayer;
- (C) [That where] Where the taxpayer has acquired the taxpayer's home by a deed made on or after July 1, 1951, the deed is recorded on or before September 30th immediately preceding the year for which the exemption is claimed;
- (D) [That spouses] Spouses will not be permitted exemption of separate homes owned by each of them, unless they are living separate and apart, in which case each is entitled to one-half of one exemption;
- (E) [That a] A person living on premises, a portion of which is used for commercial purposes, is not entitled to an exemption with respect to such portion, but is entitled to an exemption with respect to the portion thereof used exclusively as a home;



A BILL FOR AN ORDINANCE

- (F) Notwithstanding any law to the contrary, real property will continue to be entitled to the exemption contained in this section in the event the owner of the real property moves from the home on which the exemption is granted to a long-term care facility or an adult residential care home licensed to operate in the [state] State of Hawaii, provided that:
- (i) The taxpayer designates the adult residential care home or long-term care facility on the form necessary to administer this subsection;
 - (ii) The home the taxpayer moves from is not rented or leased or let during the time the taxpayer is in the long-term care facility or the adult residential care home; and
 - (iii) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period; [and]
- (G) Notwithstanding any law to the contrary, in the event the owner of real property vacates the home for which an exemption is granted and moves to a temporary residence within the city during the renovation of the home, the real property will continue to be entitled to the exemption contained in this section provided that:
- (i) The taxpayer submits to the director a change in status report regarding vacating the home during renovations which identifies:
 - (aa) The building permit number issued by the city department of planning and permitting;
 - (bb) The renovation start date as indicated on the building permit; and
 - (cc) A verifiable address within the city where the taxpayer will reside during the renovation period and where the assessment notices will be mailed;
 - (ii) The renovation period will commence on the renovation start date and must not exceed two years. The taxpayer



A BILL FOR AN ORDINANCE

may reoccupy the home before the expiration of two years. Prior to the reoccupation of the home, the taxpayer must submit to the director a change in status report regarding reoccupation of the home along with a dated certificate of occupancy, notice of completion or close permit indicating the date the renovations have been completed;

- (iii) Upon receipt by the director of the change in status report regarding reoccupation of the home and a dated certificate of occupancy, notice of completion or close permit, assessment notices will be mailed to the reoccupied home and the owner may sell the home without penalty;
- (iv) The home must not be rented, leased or sold during the renovation period;
- (v) If the owner: 1) fails to submit the change in status report within two years of the renovation start date; or 2) rents, leases or sells the property during the renovation period, the home exemption will be disallowed and the taxpayer will be subject to a rollback tax and penalty as set forth in Section 8-10.1(d) and (e) for the two-year renovation period; [and]
- (vi) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period[.]; and

(H) Notwithstanding any law to the contrary, in the event the owner of real property vacates the home for which the exemption is granted and moves to a temporary residence real property during a sabbatical or temporary work assignment, the real property will continue to be entitled to the exemption contained in this section provided:

- (i) The taxpayer provides verification of the sabbatical or temporary work assignment and documentation from the taxpayer's employer which specifies the start and completion dates of the sabbatical or temporary work assignment;



A BILL FOR AN ORDINANCE

- (ii) The taxpayer provides a verifiable address of temporary residence and certification of intent to re-occupy the home on which the exemption is granted after the sabbatical or temporary work assignment concludes;
 - (iii) The home the taxpayer moves from is not rented or leased or let during the time the taxpayer resides in the designated temporary residence;
 - (iv) The taxpayer re-occupies the home on which the exemption is granted no more than 24 months after the sabbatical or temporary work assignment begins;
 - (v) Failure to comply with any of the requirements of this paragraph will result in the imposition of penalties as prescribed in Sections 8-10.1 (d) and 8-10.1 (e);
 - (vi) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period; and
- (I) Notwithstanding any law to the contrary, in the event the owner of real property vacates the home for which an exemption is granted and moves to a temporary residence within the city as a result of the home being damaged or destroyed by fire, the real property will continue to be entitled to the exemption contained in this section provided:
- (i) The damage or destruction of the home is not the result of the taxpayer or any person residing in the home intentionally, knowingly, or recklessly setting fire to the home;
 - (ii) The taxpayer provides evidence that the fire caused the home to be uninhabitable;
 - (iii) The taxpayer intends to remain in the city and provides a verifiable address of temporary residence and certification of intent to re-occupy the home on which the exemption is granted after the home is repaired or replaced;



A BILL FOR AN ORDINANCE

- (iv) The home the taxpayer moves from is not rented or leased or let during the time the taxpayer resides in the designated temporary residence;
- (v) The taxpayer re-occupies the home on which the exemption is granted no more than 24 months after the date of the fire;
- (vi) Failure to comply with any of the requirements of this paragraph will result in the imposition of penalties as prescribed in Sections 8-10.1(d) and 8-10.1(e);
- (vii) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period.

For the purposes of this section, "real property owned and occupied as the owner's principal home" means occupancy of a home in the city and may be evidenced by, but not limited to, the following indicia: occupancy of a home in the city for more than 270 calendar days of a calendar year; registering to vote in the city; being stationed in the city under military orders of the United States; and filing of an income tax return as a resident of the State of Hawaii, with a reported address in the city. The director may demand documentation of the above or other indicia from a property owner applying for an exemption or from an owner as evidence of continued qualification for an exemption. Failure to respond to the director's request is grounds for denying a claim for an exemption or disallowing an existing exemption. The director may demand documentary evidence such as a tax clearance from the State of Hawaii indicating that the taxpayer filed an income tax return as a full-time resident for the year prior to the effective date of the exemption. Failure to respond to the director's demand in 30 days is grounds for disallowance or denial of a claim for an exemption.

In the event the director receives satisfactory evidence that an individual occupies a home outside the city or there is documented evidence of the individual's intent to reside outside the city, that individual will not be qualified for an exemption or continued exemption under this section, as the case may be.

Notwithstanding any provision to the contrary, for real property held by a trustee or other fiduciary, the trustee or other fiduciary is entitled to the exemption where: (i) the settlor of the trust occupies the property as the settlor's principal home; or (ii) the settlor of the trust dies and a beneficiary entitled to live in the home under the terms of the trust document occupies the property as the beneficiary's principal home."



A BILL FOR AN ORDINANCE

SECTION 3. Ordinance material to be repealed is bracketed. New material is underscored. When revising, compiling or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the revisor of ordinances need not include the brackets, the bracketed material or the underscoring.



A BILL FOR AN ORDINANCE

SECTION 4. This ordinance takes effect upon its approval.

INTRODUCED BY:

Ann Kobayashi

Trevor Ozawa

DATE OF INTRODUCTION:

October 29, 2015
Honolulu, Hawaii

_____ Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20_____.

KIRK CALDWELL, Mayor
City and County of Honolulu